

**Wally
Herger**
Congressman

2nd District - California



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MEDIA ADVISORY

Congressman Herger will co-host a forum for tax preparers this coming Monday, February 13, 2006, at the Yuba County Supervisors Chambers, at 915 8th Street, Marysville. The meeting will take place between 6:00 and 9:00 p.m. A second workshop will occur on Thursday, February 16, 2006, at the same location and time. Other co-hosts will include representatives from the IRS field office in Sacramento and the California Society of Enrolled Agents. Although the focus of the meeting will be on tax law specifics, all are welcome to attend. Congressman Herger made the following statement regarding the workshops:

"The tragedy of the 1986 Yuba County Flood was made worse this past year by an extremely complicated potential tax liability on settlement payments. With the help of local enrolled agents who asked the right questions and urged the IRS to think outside of the box, however, we now have answers that could help reduce the tax burden on many.

"I look forward to joining IRS officials, enrolled agents, and other local tax professionals at Monday's workshop, which will provide a forum to help disseminate this information to tax preparers and local flood victims. Those individuals who received payments will still owe taxes on their income -- whether it's from a job or a settlement check. But hopefully this information from the IRS will help mitigate some of the double taxation effects arising from attorneys fees in the legal action."

Norman M. Golden, EA, the President of the California Society of Enrolled Agents, added, "The California Society of Enrolled Agents functions to not only represent our Members but to protect the interests of the American taxpaying community. Frequently, these efforts go hand in hand. I am very proud of the California Society of Enrolled Agents' efforts in working to obtain a fair and just ruling from the Internal Revenue Service regarding the Yuba County Flood Victims settlement.

"The Internal Revenue Service should be commended for their openness in both discussing the matter and in making their determination. I would especially want to thank Congressman Wally Herger for his efforts in representing the interests of his constituents."

For more information, log on to <http://www.house.gov/herger> on the Internet!

At issue is an IRS response to an inquiry from Congressman Herger concerning the tax treatment of attorney fees included in flood settlement payments to victims of the 1986 Yuba flood.

As proposed by a number of Yuba County tax preparers, it was possible the IRS would allow an interpretation of the Tax Code in which rather than including attorneys fees on Schedule A, which would likely result in alternative minimum tax liability (AMT), instead, such fees would be capitalized into the property and taxed as a capital gain. Taxes would still have to be paid. However, tax liability in many cases would be reduced.

The complexity of this issue underscores the need for individuals to seek professional tax advice.

Attached is the original letter from Congressman Herger to the IRS and the response. Please contact Darin Thacker of my staff at 202-225-3076 if you have any questions or need additional information regarding the workshops.